

Schedule A  **Cost of Goods Sold** (see instructions)

1	Inventory at beginning of year	1	
2	Purchases less cost of items withdrawn for personal use	2	
3	Cost of labor	3	
4	Additional Section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9a Check all methods used for valuing closing inventory:

(i) Cost as described in Regulations Section 1.471-3
 (ii) Lower of cost or market as described in Regulations Section 1.471-4
 (iii) Other (specify method used and attach explanation)

b Check this box if there was a writedown of 'subnormal' goods as described in Regulations Section 1.471-2(c) c Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) d Do the rules of Section 263A (for property produced or acquired for resale) apply to the partnership? Yes No e Was there any change in determining quantities, cost, or valuations between opening and closing inventory? Yes No

If 'Yes', attach explanation

Schedule B  **Other Information**

1 What type of entity is filing this return? Check the applicable box:

a Domestic general partnership b Domestic limited partnership
 c Domestic limited liability company d Domestic limited liability partnership
 e Foreign partnership f Other

Yes No

X

2 Are any partners in this partnership also partnerships?

X

3 During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations Sections 301.7701-2 and 301.7701-3? If yes, see instructions for required attachment

X

4 Is this partnership subject to the consolidated audit procedures of Sections 6221 through 6233? If 'Yes,' see **Designation of Tax Matters Partner** below

X

5 Does this partnership meet all three of the following requirements?

a The partnership's total receipts for the tax year were less than \$250,000;

X

b The partnership's total assets at the end of the tax year were less than \$600,000; and

X

c Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return.

X

If 'Yes,' the partnership is not required to complete Schedules L, M-1, and M-2; item F on page 1 of Form 1065; or item J on Schedule K-1

X

6 Does this partnership have any foreign partners? If 'Yes,' the partnership may have to file Forms 8804, 8805 and 8813. See instructions

X

7 Is this partnership a publicly traded partnership as defined in Section 469(k)(2)?

X

8 Has this partnership filed, or is it required to file, Form 8264, Application for Registration of a Tax Shelter?

X

9 At any time during calendar year 2001, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1. If 'Yes,' enter the name of the foreign country

X

10 During the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If 'Yes,' the partnership may have to file Form 3520. See instructions

X

11 Was there a distribution of property or a transfer (e.g., by sale or death) of a partnership interest during the tax year? If 'Yes,' you may elect to adjust the basis of the partnership's assets under Section 754 by attaching the statement described in the instructions under **Elections Made by the Partnership**

X

12 Enter the number of Forms 8865 attached to this return

Designation of Tax Matters Partner (see instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

Name of
Designated TMP ►Identifying
Number of TMP ►Address of
Designated TMP ►

Schedule K Partners' Shares of Income, Credits, Deductions, etc

(a) Distributive share items		(b) Total amount
Income (Loss)	1 Ordinary income (loss) from trade or business activities (page 1, line 22)	1
	2 Net income (loss) from rental real estate activities (attach Form 8825)	2
	3a Gross income from other rental activities	3a
	b Expenses from other rental activities (attach sch)	3b
	c Net income (loss) from other rental activities. Subtract line 3b from line 3a	3c
	4 Portfolio income (loss): a Interest income	4a
	b Ordinary dividends	4b
c Royalty income	4c	
d Net short-term capital gain (loss) (attach Schedule D (Form 1065))	4d	
e (1) Net long-term capital gain (loss) (attach Schedule D (Form 1065))	4e (1)	
(2) 28% rate gain (loss) . ► (3) Qualified 5-year gain . ►		
f Other portfolio income (loss) (attach schedule)	4f	
5 Guaranteed payments to partners	5	
6 Net Section 1231 gain (loss) (other than due to casualty or theft) (attach Form 4797)	6	
7 Other income (loss)	7	
Deductions	8 Charitable contributions (attach schedule)	8
	9 Section 179 expense deduction (attach Form 4562)	9
	10 Deductions related to portfolio income (itemize)	10
	11 Other deductions	11
Credits	12a Low-income housing credit:	
	(1) From partnerships to which Section 42(j)(5) applies	12a (1)
	(2) Other than on line 12a(1)	12a (2)
	b Qualified rehabilitation expenditures related to rental real estate activities (attach Form 3468)	12b
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c
d Credits related to other rental activities	12d	
13 Other credits	13	
Investment Interest	14a Interest expense on investment debts	14a
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f above	14b (1)
	(2) Investment expenses included on line 10 above	14b (2)
Self-Employment	15a Net earnings (loss) from self-employment	15a
	b Gross farming or fishing income	15b
	c Gross nonfarm income	15c
Adjustments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986	16a
	b Adjusted gain or loss	16b
	c Depletion (other than oil and gas)	16c
	d (1) Gross income from oil, gas, and geothermal properties	16d (1)
	(2) Deductions allocable to oil, gas, and geothermal properties	16d (2)
	e Other adjmts & tax pref items	16e
Foreign Taxes	17a Name of foreign country or U.S. possession . ►	17a
	b Gross income from all sources	17b
	c Gross income sourced at partner level	17c
	d Foreign gross income sourced at partnership level:	
	(1) Passive ► (2) Listed categories (attach sch) ► (3) General limitation ►	17d (3)
	e Deductions allocated and apportioned at partner level:	
	(1) Interest expense ► (2) Other	17e (2)
	f Deductions allocated and apportioned at partnership level to foreign source income:	
	(1) Passive ► (2) Listed categories (attach sch) ► (3) General limitation ►	17f (3)
g Total foreign taxes (check one): ► <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	17g	
h Reduction in taxes available for credit (attach schedule)	17h	
Other	18 Section 59(e)(2) expenditures: a Type . ► b Amount	18b
	19 Tax-exempt interest income	19
	20 Other tax-exempt income	20
	21 Nondeductible expenses	21
	22 Distributions of money (cash and marketable securities)	22
	23 Distributions of property other than money	23
	24 Other items and amounts required to be reported separately to partners (attach schedule)	

Analysis of Net Income (Loss)

1 Net income (loss). Combine Schedule K, lines 1 through 7 in column (b). From the result, subtract the sum of Schedule K, lines 8 through 11, 14a, 17g, and 18b 1

2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other
a General partners						
b Limited partners						

Schedule L Balance Sheets per Books (Not required if question 5 on Schedule B is answered 'Yes.')

	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
1 Cash		1,990.		
2a Trade notes and accounts receivable			1,990.	
b Less allowance for bad debts				
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets (attach schedule)				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9a Buildings and other depreciable assets				
b Less accumulated depreciation				
10a Depletable assets				
b Less accumulated depletion				
11 Land (net of any amortization)				
12a Intangible assets (amortizable only)				
b Less accumulated amortization				
13 Other assets (attach schedule) Ln. 13. Stmt		2,434,124.		
14 Total assets		2,436,114.		
Liabilities and Capital				
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities (attach sch) ..Ln. 17. Stmt		262.		
18 All nonrecourse loans				
19 Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities (attach schedule)				
21 Partners' capital accounts		2,435,852.		0.
22 Total liabilities and capital		2,436,114.		0.

Schedule M-1 Reconciliation of Income (Loss) per Books with Income (Loss) per Return

(Not required if question 5 on Schedule B is answered 'Yes.')

1 Net income (loss) per books	0.	6 Income recorded on books this year not included on Schedule K, lines 1 through 7 (itemize):	
2 Income included on Schedule K, lines 1 through 4, 6, and 7, not recorded on books this year (itemize):		a Tax-exempt interest ... \$	
3 Guaranteed payments (other than health insurance)		7 Deductions included on Schedule K, lines 1 through 11, 14a, 17g, and 18b, not charged against book income this year (itemize):	
4 Expenses recorded on books this year-not included on Schedule K, lines 1 through 11, 14a, 17g, and 18b (itemize):		a Depreciation \$	
a Depreciation \$		8 Add lines 6 and 7	
b Travel and entertainment \$		9 Income (loss) (Analysis of net income (loss), line 1). Subtract line 8 from line 5	0.
5 Add lines 1 through 4	0.		

Schedule M-2 Analysis of Partners' Capital Accounts (Not required if question 5 on Schedule B is answered 'Yes.')

1 Balance at beginning of year	2,435,852.	6 Distributions: a Cash	2,435,852.
2 Capital contributed during year		b Property	
3 Net income (loss) per books	0.	7 Other decreases (itemize):	
4 Other increases (itemize):		8 Add lines 6 and 7	
5 Add lines 1 through 4	2,435,852.	9 Balance at end of year. Subtract line 8 from line 5	0.

Form 1065, Schedule L, Line 13

Other Assets

Other Assets (itemize):	Beginning of tax year	End of tax year
Interco Receivable - W.R. Grace	2,434,124.	
Total	<u>2,434,124.</u>	

Form 1065, Schedule L, Line 17

Other Current Liabilities

Other Current Liabilities (itemize):	Beginning of tax year	End of tax year
Accrued Liabilities	262.	
Total	<u>262.</u>	

Schedule K-1
(Form 1065)

Partner's Share of Income, Credits, Deductions, Etc

OMB No. 1545-0099

2001

Department of the Treasury
Internal Revenue Service

For calendar year 2001 or tax year

beginning

, 2001, and ending

, 20

Partner's identifying number ► 22-2355544

Partnership's identifying number ► 84-1188107

Partner's Name, Address, and ZIP Code

Grace A-B, Inc.
5400 Broken Sound Blvd. NW, Suite 300
Boca Raton, FL 33487

Partnership's Name, Address, and ZIP Code

Axial Basin Ranch Company
5400 Broken Sound Blvd. NW, Suite 300
Boca Raton, FL 33487A This partner is a general partner limited partner
 limited liability company member

F Partner's share of liabilities:

Nonrecourse \$ _____
Qualified nonrecourse financing \$ _____
Other \$ _____

B What type of entity is this partner? ... ► Corporation

G Tax shelter registration number ► _____

C Is this partner a domestic or a foreign partner?H Check here if this partnership is a publicly traded partnership
as defined in Section 469(k)(2) D Enter partner's % of: (i) Before change or
termination (ii) End of
yearProfit sharing 50.00000 % 0.00000 %
Loss sharing 50.00000 % 0.00000 %
Ownership of capital 50.00000 % 0.00000 %I Check applicable boxes: (1) Final K-1 (2) Amended K-1

E IRS Center where partnership filed return: Ogden, UT

J Analysis of partner's capital account:

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
1,529,156.			0.	1,529,156.

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
1	Ordinary income (loss) from trade or business activities	1	See Partner's Instructions for Schedule K-1 (Form 1065).
2	Net income (loss) from rental real estate activities	2	
3	Net income (loss) from other rental activities	3	
4	Portfolio income (loss):		
a	Interest	4a	Schedule B, Part I, line 1
b	Ordinary dividends	4b	Schedule B, Part II, line 5
c	Royalties	4c	Schedule E, Part I, line 4
d	Net short-term capital gain (loss)	4d	Schedule D, line 5, column (f)
e (1)	Net long-term capital gain (loss)	4e(1)	Schedule D, line 12, column (f)
(2)	28% rate gain (loss)	4e(2)	Schedule D, line 12, column (g)
(3)	Qualified 5-year gain	4e(3)	Line 4 of worksheet for Sch D, line 29
f	Other portfolio income (loss) (attach schedule)	4f	Enter on applicable ln of your return
5	Guaranteed payments to partner	5	
6	Net Section 1231 gain (loss) (other than due to casualty or theft)	6	See Partner's Instructions for Schedule K-1 (Form 1065).
7	Other income (loss) (attach schedule)	7	Enter on applicable ln of your return
8	Charitable contributions (see instructions) (attach schedule)	8	Schedule A, line 15 or 16
9	Section 179 expense deduction	9	
10	Deductions related to portfolio income (attach schedule)	10	See Partner's Instructions for Schedule K-1 (Form 1065).
11	Other deductions (attach schedule)	11	
12a	Low-income housing credit:		
(1)	From Section 42(j)(5) partnerships	12a(1)	
(2)	Other than on line 12a(1)	12a(2)	Form 8586, line 5
b	Qualified rehabilitation expenditures related to rental real estate activities	12b	
c	Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c	See Partner's Instructions for Schedule K-1 (Form 1065).
d	Credits related to other rental activities	12d	
13	Other credits	13	

BAA For Paperwork Reduction Act Notice, see instructions for Form 1065.

Schedule K-1 (Form 1065) 2001

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Investment Interest	14a Interest expense on investment debts	14a	Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f	14b(1)	See Partner's Instructions for Schedule K-1 (Form 1065).
	(2) Investment expenses included on line 10	14b(2)	
Self-employment	15a Net earnings (loss) from self-employment	15a	Schedule SE, Section A or B
	b Gross farming or fishing income	15b	See Partner's Instructions for Schedule K-1 (Form 1065).
	c Gross nonfarm income	15c	
Adjustments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986	16a	
	b Adjusted gain or loss	16b	
	c Depletion (other than oil and gas)	16c	
	d (1) Gross income from oil, gas, and geothermal properties	16d(1)	See Partner's Instructions for Schedule K-1 (Form 1065) and instructions for Form 6251.
	(2) Deductions allocable to oil, gas, and geothermal properties	16d(2)	
	e Other adjustments & tax preference items (attach sch)	16e	
	17a Name of foreign country or U.S. possession ►	17b	
	b Gross income from all sources	17c	
c Gross income sourced at partner level			
d Foreign gross income sourced at partnership level:			
(1) Passive	17d(1)		
(2) Listed categories (attach schedule)	17d(2)		
(3) General limitation	17d(3)		
e Deductions allocated and apportioned at partner level:			
(1) Interest expense	17e(1)		
(2) Other	17e(2)		
f Deductions allocated and apportioned at partnership level to foreign source income:			
(1) Passive	17f(1)		
(2) Listed categories (attach schedule)	17f(2)		
(3) General limitation	17f(3)		
g Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	17g	Form 1116, Part II	
h Reduction in taxes available for credit (attach schedule)	17h	Form 1116, line 12.	
Foreign Taxes	18a Section 59(e)(2) expenditures: a Type ►	18b	See Partner's Instructions for Schedule K-1 (Form 1065).
	b Amount		
	19 Tax-exempt interest income	19	Form 1040, line 8b
	20 Other tax-exempt income	20	
	21 Nondeductible expenses	21	
	22 Distributions of money (cash and marketable securities)	22 1,529,156.	See Partner's Instructions for Schedule K-1 (Form 1065).
	23 Distributions of property other than money	23	
	24 Recapture of low-income housing credit:		
a From Section 42(j)(5) partnerships	24a		
b Other than on line 24a	24b	Form 8611, line 8	
25 Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed):			
Item J (c) - Capital account adjustments:			
Supplemental Information			

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

Partner's Share of Income, Credits, Deductions, Etc

OMB No. 1545-0099

2001

For calendar year 2001 or tax year

beginning

, 2001, and ending

, 20

Partner's identifying number ► 58-1969353

Partnership's identifying number ► 84-1188107

Partner's Name, Address, and ZIP Code

Grace A-B II, Inc.
5400 Broken Sound Blvd. NW, Suite 300
Boca Raton, FL 33487

Partnership's Name, Address, and ZIP Code

Axial Basin Ranch Company
5400 Broken Sound Blvd. NW, Suite 300
Boca Raton, FL 33487

A This partner is a general partner limited partner
 limited liability company member

B What type of entity is this partner? ... ► Corporation

C Is this partner a domestic or a foreign partner?

D Enter partner's % of: (i) Before change or termination (ii) End of year

Profit sharing	50.00000 %	0.00000 %
Loss sharing	50.00000 %	0.00000 %
Ownership of capital	50.00000 %	0.00000 %

E IRS Center where partnership filed return: Ogden, UT

F Partner's share of liabilities:

Nonrecourse	\$	-----
Qualified nonrecourse financing	\$	-----
Other	\$	-----

G Tax shelter registration number ►

H Check here if this partnership is a publicly traded partnership as defined in Section 469(k)(2) I Check applicable boxes: (1) Final K-1 (2) Amended K-1

J Analysis of partner's capital account:

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
906,696.		0.	906,696.	0.

	(a) Distributive share item	(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1	See Partner's Instructions for Schedule K-1 (Form 1065). Schedule B, Part I, line 1 Schedule B, Part II, line 5 Schedule E, Part I, line 4 Schedule D, line 5, column (f) Schedule D, line 12, column (f) Schedule D, line 12, column (g) Line 4 of worksheet for Sch D, line 29 Enter on applicable ln of your return
	2 Net income (loss) from rental real estate activities	2	
	3 Net income (loss) from other rental activities	3	
	4 Portfolio income (loss):		
	a Interest	4a	
	b Ordinary dividends	4b	
	c Royalties	4c	
	d Net short-term capital gain (loss)	4d	
	e (1) Net long-term capital gain (loss)	4e(1)	
	(2) 28% rate gain (loss)	4e(2)	
	(3) Qualified 5-year gain	4e(3)	
	f Other portfolio income (loss) (attach schedule)	4f	
	5 Guaranteed payments to partner	5	
6 Net Section 1231 gain (loss) (other than due to casualty or theft)	6		
7 Other income (loss) (attach schedule)	7		
Deductions	8 Charitable contributions (see instructions) (attach schedule)	8	See Partner's Instructions for Schedule K-1 (Form 1065). Schedule A, line 15 or 16
	9 Section 179 expense deduction	9	
	10 Deductions related to portfolio income (attach schedule)	10	
	11 Other deductions (attach schedule)	11	
	12a Low-income housing credit:		
(1) From Section 42(j)(5) partnerships	12a(1)	Form 8586, line 5	
(2) Other than on line 12a(1)	12a(2)		
12b Qualified rehabilitation expenditures related to rental real estate activities	12b		
12c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c		
12d Credits related to other rental activities	12d	See Partner's Instructions for Schedule K-1 (Form 1065).	
13 Other credits	13		

BAA For Paperwork Reduction Act Notice, see instructions for Form 1065.

Schedule K-1 (Form 1065) 2001

Schedule K-1 (Form 1065) 2001 Grace A-B II, Inc.

58-1969353

Page 2

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:	
Investment Interest	14a Interest expense on investment debts	14a	Form 4952, line 1 See Partner's Instructions for Schedule K-1 (Form 1065).	
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f	14b(1)		
	(2) Investment expenses included on line 10	14b(2)		
Self-employment	15a Net earnings (loss) from self-employment	15a	Schedule SE, Section A or B See Partner's Instructions for Schedule K-1 (Form 1065).	
	b Gross farming or fishing income	15b		
	c Gross nonfarm income	15c		
Adjustments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986	16a	See Partner's Instructions for Schedule K-1 (Form 1065) and instructions for Form 6251.	
	b Adjusted gain or loss	16b		
	c Depletion (other than oil and gas)	16c		
	d (1) Gross income from oil, gas, and geothermal properties	16d(1)		
	(2) Deductions allocable to oil, gas, and geothermal properties	16d(2)		
	e Other adjustments & tax preference items (attach sch)	16e		
Foreign Taxes	17a Name of foreign country or U.S. possession ►	17a	Form 1116, Part I Form 1116, Part II Form 1116, line 12.	
	b Gross income from all sources	17b		
	c Gross income sourced at partner level	17c		
	d Foreign gross income sourced at partnership level:	17d(1)		
	(1) Passive	17d(2)		
	(2) Listed categories (attach schedule)	17d(3)		
	(3) General limitation	17e(1)		
	e Deductions allocated and apportioned at partner level:	17e(2)		
	(1) Interest expense	17f(1)		
	(2) Other	17f(2)		
f Deductions allocated and apportioned at partnership level to foreign source income:	17f(3)			
(1) Passive	17g			
(2) Listed categories (attach schedule)	17h			
g Total foreign taxes (check one): ► <input type="checkbox"/> Paid <input type="checkbox"/> Accrued				
h Reduction in taxes available for credit (attach schedule)				
Other	18a Section 59(e)(2) expenditures: a Type ►	18a	See Partner's Instructions for Schedule K-1 (Form 1065). Form 1040, line 9b See Partner's Instructions for Schedule K-1 (Form 1065). Form 8611, line 8	
	b Amount	18b		
	19 Tax-exempt interest income	19		
	20 Other tax-exempt income	20		
	21 Nondeductible expenses	21		
	22 Distributions of money (cash and marketable securities)	22		906,696
	23 Distributions of property other than money	23		
	24 Recapture of low-income housing credit:	24a		
	a From Section 42(j)(5) partnerships	24b		
	b Other than on line 24a			
25 Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed): Item J (c) - Capital account adjustments:				
Supplemental Information				

Form 1065

Department of the Treasury Internal Revenue Service
U.S. Return of Partnership Income

2001

► See separate instructions.

IRS use only — Do not write or staple in this space.

For calendar year 2001, or tax year beginning		, 2001, and ending	, 20	OMB No. 1545-0099
A Principal Business Activity Mining	Use the IRS label. Otherwise, print or type.	Name of Partnership H-G Coal Company		D Employer Identification Number 84-1188108
B Principal Product or Service Coal		Number, Street, and Room or Suite Number. If a P.O. Box, See Instructions. 5400 Broken Sound Blvd. NW, Suite 300		E Date Business Started 10/19/91
C Business Code Number 324190		City or Town Boca Raton,	State ZIP Code FL 33487	F Total Assets (see instrs) \$ 342,384

G Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change (5) Amended returnH Check accounting method: (1) Cash (2) Accrual (3) Other (specify) ►

I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ► 2

Caution: Include only trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

I N C O M E	1a Gross receipts or sales	1a	1c
	b Less returns and allowances	1b	
	2. Cost of goods sold (Schedule A, line 8)	2	
	3 Gross profit. Subtract line 2 from line 1c	3	
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach schedule)	4	
	5 Net farm profit (loss) (attach Schedule F (Form 1040))	5	
	6 Net gain (loss) from Form 4797, Part II, line 18	6	
	7 Other income (loss) (attach schedule)	7	
8 Total income (loss). Combine lines 3 through 7	8		
S E E I N S T R U C T I O N S F O R L I M I T A T I O N S	9 Salaries and wages (other than to partners) (less employment credits)	9	
	10 Guaranteed payments to partners	10	
	11 Repairs and maintenance	11	
	12 Bad debts	12	
	13 Rent	13	
	14 Taxes and licenses	14	
	15 Interest	15	
	16a Depreciation (if required, attach Form 4562)	16a	
	b Less depreciation reported on Schedule A and elsewhere on return	16b	
	17 Depletion (Do not deduct oil and gas depletion.)	17	
	18 Retirement plans, etc	18	
	19 Employee benefit programs	19	
	20 Other deductions (attach schedule)	20	
21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20	21		
22 Ordinary income (loss) from trade or business activities. Subtract line 21 from line 8	22		

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.		
	► <i>Elyse Neapol Falso</i> Signature of General Partner or Limited Liability Company Member	Date ► 11/12/02	May the IRS discuss this return with the preparer shown below (see instrs)? <input type="checkbox"/> Yes <input type="checkbox"/> No
Paid Preparer's Use Only	Preparer's Signature Firm's Name (or yours if self-employed), Address, and ZIP Code ► Self Prepared	Date Check if self-employed ► <input type="checkbox"/>	Preparer's SSN or PTIN EIN ► Phone No.

Schedule A Cost of Goods Sold (see instructions)

1 Inventory at beginning of year	1
2 Purchases less cost of items withdrawn for personal use	2
3 Cost of labor	3
4 Additional Section 263A costs (attach schedule)	4
5 Other costs (attach schedule)	5
6 Total. Add lines 1 through 5	6
7 Inventory at end of year	7
8 Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8

9a Check all methods used for valuing closing inventory:

(i) Cost as described in Regulations Section 1.471-3
 (ii) Lower of cost or market as described in Regulations Section 1.471-4
 (iii) Other (specify method used and attach explanation)

b Check this box if there was a writedown of 'subnormal' goods as described in Regulations Section 1.471-2(c)

c Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)

d Do the rules of Section 263A (for property produced or acquired for resale) apply to the partnership?

e Was there any change in determining quantities, cost, or valuations between opening and closing inventory?

If 'Yes', attach explanation

Yes No
 Yes No

Schedule B Other Information

1	What type of entity is filing this return? Check the applicable box:	Yes	No
a <input checked="" type="checkbox"/>	Domestic general partnership	<input type="checkbox"/>	Domestic limited partnership
c <input type="checkbox"/>	Domestic limited liability company	<input type="checkbox"/>	Domestic limited liability partnership
e <input type="checkbox"/>	Foreign partnership	<input type="checkbox"/>	Other
2	Are any partners in this partnership also partnerships?		X
3	During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations Sections 301.7701-2 and 301.7701-3? If yes, see instructions for required attachment		X
4	Is this partnership subject to the consolidated audit procedures of Sections 6221 through 6233? If 'Yes,' see Designation of Tax Matters Partner below		X
5	Does this partnership meet all three of the following requirements?		
a	The partnership's total receipts for the tax year were less than \$250,000;		
b	The partnership's total assets at the end of the tax year were less than \$600,000; and		
c	Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return.		
	If 'Yes,' the partnership is not required to complete Schedules L, M-1, and M-2; item F on page 1 of Form 1065; or item J on Schedule K-1		X
6	Does this partnership have any foreign partners? If 'Yes,' the partnership may have to file Forms 8804, 8805 and 8813. See instructions		X
7	Is this partnership a publicly traded partnership as defined in Section 469(k)(2)?		X
8	Has this partnership filed, or is it required to file, Form 8264, Application for Registration of a Tax Shelter?		X
9	At any time during calendar year 2001, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1. If 'Yes,' enter the name of the foreign country		X
10	During the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If 'Yes,' the partnership may have to file Form 3520. See instructions		X
11	Was there a distribution of property or a transfer (e.g., by sale or death) of a partnership interest during the tax year? If 'Yes,' you may elect to adjust the basis of the partnership's assets under Section 754 by attaching the statement described in the instructions under Elections Made by the Partnership		X
12	Enter the number of Forms 8865 attached to this return		

Designation of Tax Matters Partner (see instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

Name of
Designated TMP ►Identifying
Number of TMP ►Address of
Designated TMP ►

Schedule K Partners' Shares of Income, Credits, Deductions, etc.

(a) Distributive share items		(b) Total amount	
Income (Loss)	1 Ordinary income (loss) from trade or business activities (page 1, line 22)	1	
	2 Net income (loss) from rental real estate activities (attach Form 8825)	2	
	3a Gross income from other rental activities	3a	
	b Expenses from other rental activities (attach sch)	3b	
	c Net income (loss) from other rental activities. Subtract line 3b from line 3a	3c	
	4 Portfolio income (loss): a Interest income	4a	
	b Ordinary dividends	4b	
	c Royalty income	4c	
	d Net short-term capital gain (loss) (attach Schedule D (Form 1065))	4d	
	e (1) Net long-term capital gain (loss) (attach Schedule D (Form 1065))	4e (1)	
	(2) 28% rate gain (loss) . ► (3) Qualified 5-year gain . ►		
	f Other portfolio income (loss) (attach schedule)	4f	
	5 Guaranteed payments to partners	5	
	6 Net Section 1231 gain (loss) (other than due to casualty or theft) (attach Form 4797)	6	
	7 Other income (loss)	7	
Deductions	8 Charitable contributions (attach schedule)	8	
	9 Section 179 expense deduction (attach Form 4562)	9	
	10 Deductions related to portfolio income (itemize)	10	
	11 Other deductions	11	
Credits	12a Low-income housing credit: (1) From partnerships to which Section 42(j)(5) applies	12a (1)	
	(2) Other than on line 12a(1)	12a (2)	
	b Qualified rehabilitation expenditures related to rental real estate activities (attach Form 3468)	12b	
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c	
	d Credits related to other rental activities	12d	
	13 Other credits	13	
Investment Interest	14a Interest expense on investment debts	14a	
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f above	14b (1)	
	(2) Investment expenses included on line 10 above	14b (2)	
Self-Employment	15a Net earnings (loss) from self-employment	15a	
	b Gross farming or fishing income	15b	
	c Gross nonfarm income	15c	
Adjustments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986	16a	
	b Adjusted gain or loss	16b	
	c Depletion (other than oil and gas)	16c	
	d (1) Gross income from oil, gas, and geothermal properties	16d (1)	
	(2) Deductions allocable to oil, gas, and geothermal properties	16d (2)	
	e Other adjmts & tax pref items	16e	
Foreign Taxes	17a Name of foreign country or U.S. possession	17a	
	b Gross income from all sources	17b	
	c Gross income sourced at partner level	17c	
	d Foreign gross income sourced at partnership level: (1) Passive ► (2) Listed categories (attach sch) ► (3) General limitation ►	17d (3)	
	e Deductions allocated and apportioned at partner level: (1) Interest expense ► (2) Other	17e (2)	
	f Deductions allocated and apportioned at partnership level to foreign source income: (1) Passive ► (2) Listed categories (attach sch) ► (3) General limitation ►	17f (3)	
	g Total foreign taxes (check one): ► <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	17g	
	h Reduction in taxes available for credit (attach schedule)	17h	
Other	18 Section 59(e)(2) expenditures: a Type . . . ► b Amount . . . ►	18b	
	19 Tax-exempt interest income	19	
	20 Other tax-exempt income	20	
	21 Nondeductible expenses	21	
	22 Distributions of money (cash and marketable securities)	22	342,214.
	23 Distributions of property other than money	23	
	24 Other items and amounts required to be reported separately to partners (attach schedule)		

Analysis of Net Income (Loss)

1 Net income (loss). Combine Schedule K, lines 1 through 7 in column (b). From the result, subtract the sum of Schedule K, lines 8 through 11, 14a, 17g, and 18b 1

2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other
a General partners						
b Limited partners						

Schedule L | Balance Sheets per Books (Not required if question 5 on Schedule B is answered 'Yes.')

Assets	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
1 Cash				
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets (attach schedule). Ln. 6. Stmt.		342,384.		
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9a Buildings and other depreciable assets				
b Less accumulated depreciation				
10a Depletable assets				
b Less accumulated depletion				
11 Land (net of any amortization)				
12a Intangible assets (amortizable only)				
b Less accumulated amortization				
13 Other assets (attach schedule)		342,384.		
14 Total assets	342,384.			
Liabilities and Capital				
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities (attach sch) ... Ln. 17. Stmt.		170.		
18 All nonrecourse loans				
19 Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities (attach schedule)				
21 Partners' capital accounts	342,214.			0.
22 Total liabilities and capital	342,384.			0.

Schedule M-1 | Reconciliation of Income (Loss) per Books with Income (Loss) per Return (Not required if question 5 on Schedule B is answered 'Yes.')

1 Net income (loss) per books	0.	6 Income recorded on books this year not included on Schedule K, lines 1 though 7 (itemize):	
2 Income included on Schedule K, lines 1 through 4, 6, and 7, not recorded on books this year (itemize):		a Tax-exempt interest ... \$	
3		7 Deductions included on Schedule K, lines 1 through 11, 14a, 17g, and 18b, not charged against book income this year (itemize):	
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 11, 14a, 17g, and 18b (itemize):		a Depreciation \$	
a Depreciation \$		8 Add lines 6 and 7	
b Travel and entertainment \$		9 Income (loss) (Analysis of net income (loss), line 1). Subtract line 8 from line 5 ...	0.
5 Add lines 1 through 4	0.		

Schedule M-2 | Analysis of Partners' Capital Accounts (Not required if question 5 on Schedule B is answered 'Yes.')

1 Balance at beginning of year	342,214.	6 Distributions: a Cash	342,214.
2 Capital contributed during year		b Property	
3 Net income (loss) per books	0.	7 Other decreases (itemize):	
4 Other increases (itemize):		8 Add lines 6 and 7	
5 Add lines 1 through 4	342,214.	9 Balance at end of year. Subtract line 8 from line 5 ...	0.

Form 1065, Schedule L, Line 6

Other Current Assets

Other Current Assets (itemize):	Beginning of tax year	End of tax year
Balances with Consolidated Companies	342,384.	
Total	<u>342,384.</u>	

Form 1065, Schedule L, Line 17

Other Current Liabilities

Other Current Liabilities (itemize):	Beginning of tax year	End of tax year
Property Taxes Payable	170.	
Total	<u>170.</u>	

Schedule K-1
(Form 1065)

Partner's Share of Income, Credits, Deductions, Etc

OMB No. 1545-0099

2001

Department of the Treasury
Internal Revenue Service

For calendar year 2001 or tax year

beginning , 2001, and ending , 20

Partner's identifying number ► 22-2192450

Partnership's identifying number ► 84-1188108

Partner's Name, Address, and ZIP Code

Coalgrace, Inc.
5400 Broken Sound Blvd. NW, #300
Boca Raton, FL 33487

Partnership's Name, Address, and ZIP Code

H-G Coal Company
5400 Broken Sound Blvd. NW, Suite 300
Boca Raton, FL 33487

A This partner is a general partner limited partner
 limited liability company member

B What type of entity is this partner? ... ► Corporation

C Is this partner a domestic or a foreign partner?

D Enter partner's % of: (i) Before change or termination (ii) End of year

Profit sharing	50.00000 %	0.00000 %
Loss sharing	50.00000 %	0.00000 %
Ownership of capital	50.00000 %	0.00000 %

E IRS Center where partnership filed return: Ogden, UT

F Partner's share of liabilities:

Nonrecourse	\$
Qualified nonrecourse financing	\$
Other	\$

G Tax shelter registration number ►

H Check here if this partnership is a publicly traded partnership as defined in Section 469(k)(2) I Check applicable boxes: (1) Final K-1 (2) Amended K-1

J Analysis of partner's capital account:

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
633,922.			0.	633,922.

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
1	Ordinary income (loss) from trade or business activities	1	See Partner's Instructions for Schedule K-1 (Form 1065).
2	Net income (loss) from rental real estate activities	2	
3	Net income (loss) from other rental activities	3	
4	Portfolio income (loss):		
a	Interest	4a	Schedule B, Part I, line 1
b	Ordinary dividends	4b	Schedule B, Part II, line 5
c	Royalties	4c	Schedule E, Part I, line 4
d	Net short-term capital gain (loss)	4d	Schedule D, line 5, column (f)
e (1)	Net long-term capital gain (loss)	4e(1)	Schedule D, line 12, column (f)
(2)	28% rate gain (loss)	4e(2)	Schedule D, line 12, column (g)
(3)	Qualified 5-year gain	4e(3)	Line 4 of worksheet for Sch D, line 29
f	Other portfolio income (loss) (attach schedule)	4f	Enter on applicable ln of your return
5	Guaranteed payments to partner	5	
6	Net Section 1231 gain (loss) (other than due to casualty or theft)	6	See Partner's Instructions for Schedule K-1 (Form 1065).
7	Other income (loss) (attach schedule)	7	Enter on applicable ln of your return
8	Charitable contributions (see instructions) (attach schedule)	8	Schedule A, line 15 or 16
9	Section 179 expense deduction	9	
10	Deductions related to portfolio income (attach schedule)	10	See Partner's Instructions for Schedule K-1 (Form 1065).
11	Other deductions (attach schedule)	11	
12a	Low-income housing credit:		
(1)	From Section 42(j)(5) partnerships	12a(1)	
(2)	Other than on line 12a(1)	12a(2)	Form 8586, line 5
b	Qualified rehabilitation expenditures related to rental real estate activities	12b	
c	Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c	See Partner's Instructions for Schedule K-1 (Form 1065).
d	Credits related to other rental activities	12d	
13	Other credits	13	

BAA For Paperwork Reduction Act Notice, see instructions for Form 1065.

Schedule K-1 (Form 1065) 2001